HHB
Halifax Harbour Bridges

2011-12 ANNUAL REPORT

SAFETY IS
TO OUR S

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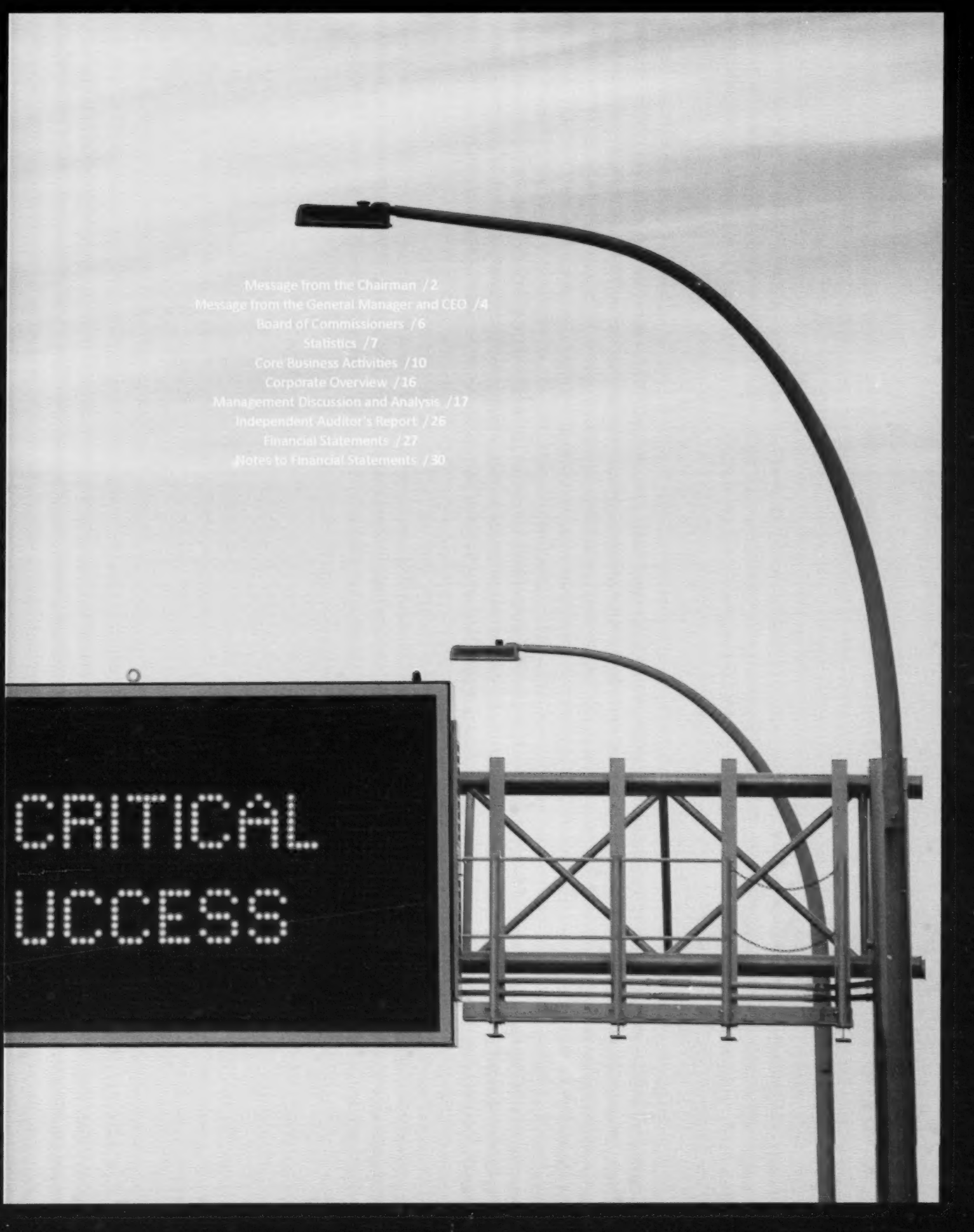
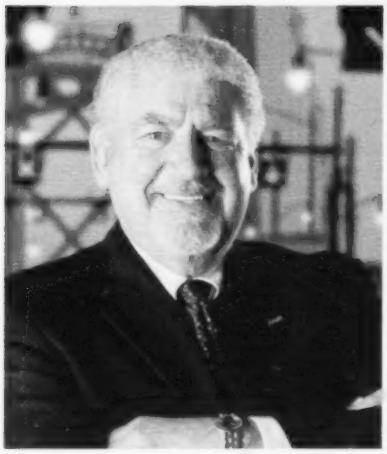


MESSAGE FROM THE CHAIRMAN



I AM PLEASED TO REPORT as Chairman of the Halifax Dartmouth Bridge Commission (the Commission) achievements during the 2011-12 year. This is a good news report and my first Chairman's report following six years as Vice Chairman, Member of the Executive Committee and Chairman of the Audit Committee.

I am pleased to report as well that the Commission has improved on its mission to provide safe, efficient and reliable cross harbour transportation infrastructure at an appropriate cost and true to its core values.

The Commission focused on how to respond to the HRM Regional Plan, which determined the future traffic patterns and consequently the demand for the use of the bridges.

I recognize that good governance today is much different than that of 1955 when the Macdonald Bridge opened and when the purpose of the Commission through legislation, was to manage tolling, plowing, salting and maintenance. Traffic has gone from three million crossings a year to almost 34 million. There was a transition from cash and tickets to tokens and now transponders, from hand printed signs to electronic message boards and from weather vanes to weather stations.

As Chairman, I was pleased to lead, with the members of the board of commissioners and senior management, the rewriting of the value statements, a strategic plan and a five-year detailed business plan for the implementation of the bridges rehabilitation. This included a financial plan and a compatible management structure. Thank you to CEO Snider and his team for their most valuable contribution.

I, Members of the Commission and the management team completed the documents where the thinking was unanimous and there was a shared ownership. This new strategic plan will direct our efforts "to be recognized as world class in the implementation of innovative transportation solutions."

The Commission proceeded with the business plan by approving the replacement of the suspended spans on the Macdonald Bridge, a project that will begin on-site work in early 2015. The Commission also initiated the financial plan for the suspended spans replacement, by approving a budget of $185M and a contingency fund of $20M. To help fund this project, the Commission requested, and the Nova Scotia Utility and Review Board granted, a toll increase, the last phase of $.10 in April 2012. Our customers should be advised no further toll increases are scheduled to fund the replacement of the suspended spans of the Macdonald Bridge.

With a sound financial plan in place, I was pleased to announce that the bond rating services of Standard and Poor's has formally recognized the Commission as having "strong fiscal risk profile" and assigned a long-term issuer credit rating of AA-stable, a very desirable credit rating. The Commission also has a strong Toll Revenue Debt rating of AA (low) with DBRS. This rating is helped by "prudent expenditure management, forward-looking planning and a proactive approach to infrastructure maintenance."

In closing, the board of commissioners recognizes with appreciation the vital interaction with the Provincial Minister of Finance and staff, HRM, stakeholders, customers and Commission staff to stay focused on our goal to be recognized as world-class in the implementation of innovative transportation solutions.

Wayne F. Mason, CET, MEd, MCFB
Chairman, Halifax Dartmouth Bridge Commission

Steve Snider, General Manager and CEO (left) and Wayne Mason, Chairman of the Board of Commissioners (right), on-site at the Macdonald Bridge inspecting the repairs being completed on the anchor pier.

MESSAGE FROM THE GENERAL MANAGER AND CEO

SAFETY IS CRITICAL TO OUR SUCCESS. Safety is the cornerstone for everything we do at Halifax Harbour Bridges (HHB). This commitment applies to: the safety of our employees; the safety of the bridges; and the safety of the traveling public. Note that you can't have one without the other two – they are integrally linked.

While safety has always been an important focus at HHB, in the last couple of years we have committed ourselves to developing a world-class safety program and an injury-free workplace. Our focus has paid off with a high degree of employee engagement and a focus on ensuring HHB can meet its mission to provide safe, efficient and reliable cross harbour transportation infrastructure at an appropriate cost.

Safety of employees

In 2011-12 HHB reached several milestones in its goal to have a world-class safety program. In 2011 HHB completed Workers' Compensation Board of Nova Scotia's Certificate of Recognition (COR) audit of our health and safety systems. HHB scored 85 per cent on the audit, less than a year after we scored 65 per cent – a tremendous improvement. And, building on that success, in June, 2012, our score was an incredible 93 per cent.

As impressive as these results are, I'm not concerned about reaching 100 per cent – I just want to be 100 per cent injury-free.

In 2011 we had no time loss injuries, another indication that employees are working safely and making sure their co-workers are working safely.

In 2011 we conducted our first employee engagement survey and safety received the highest overall results of the survey categories. While the overall engagement results are very positive, the results show that HHB's focus on safety has been very successful. Nearly all respondents indicated that HHB employees are involved in safety activities and 93 per cent indicated safety awareness has improved over the last year. Finally, 90 per cent indicated that HHB is a safe place to work.

Safety of the traveling public

HHB employees take great pride in knowing they maintain two of the safest pieces of infrastructure in the province. During the winter months we have dedicated snow and ice removal and have systems to alert us when ice starts to form so we can be proactive in our winter maintenance.

We recently completed implementing a state-of-the-art security system which includes over a 100 cameras located at strategic locations on both bridges. This gives us the ability to see what's going on in and around the bridges at all times and respond appropriately.

Even a minor incident on the bridges causes traffic congestion to build quickly. The vast majority of these incidents are completely within the control of the person driving the vehicle. In response, in 2011-12 we adopted a comprehensive approach to traffic management which includes traffic control – line markings and signs; traffic enforcement – issuing tickets and warnings; and public awareness – educating drivers about the role they play in reducing incidents and as a result, traffic congestion.

Safety of the structures

We are often asked, "What is the life span on the bridges?" My response is quite simple. If we continue to inspect them and do the necessary work, they will remain safe for the traveling public for many, many years to come. And we continue to perform the necessary work. The revenue generated from tolls makes this possible. In 2011-12 we invested $14 million in capital and maintenance projects on the two bridges.

One of the more significant projects in the last 12 months was replacing traction rods and suspender ropes on the MacKay Bridge. At the same time the main cables were inspected. This inspection will help us assess the MacKay Bridge suspended spans deck life.

Since we can't have both bridges undergoing significant capital and maintenance projects at the same time, much of the work completed over the past few years on the MacKay Bridge has been done in advance of the Macdonald Bridge suspended span redecking project, which will begin in early 2015. The project, the largest since the opening on the MacKay Bridge in 1970, includes replacement of the road deck, floor beams, stiffening trusses and suspender ropes on the suspended spans. When this project is complete, a significant amount of the bridge infrastructure will be new.

Safety has always been a priority at HHB and I am impressed with how employees have embraced the focus on safety: safety of each other, the traveling public and the bridges themselves. There is a genuine concern for the well being of all – safety is a collective effort.

Respectfully submitted,

Steven Snider
General Manager and CEO, Halifax Harbour Bridges

LEADERSHIP

Board of Commissioners

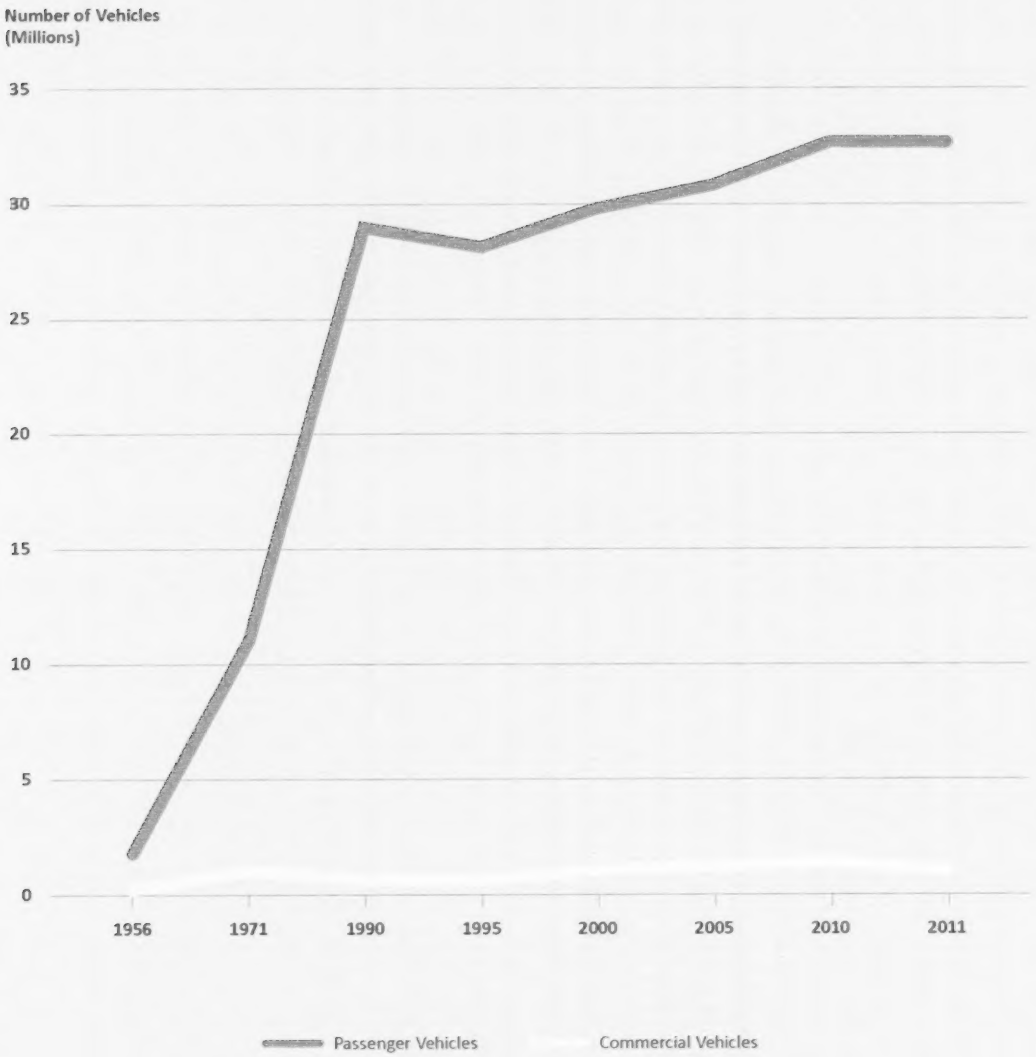
(left to right)

Councillor David Hendsbee
Councillor Jackie Barkhouse
Mr. Claude Carter*
Councillor Mary Wile
Councillor Gerry Blumenthal
Mr. Tim Olive*
Mr. Wayne Mason,* Chairman
Mr. Graham Read,* Vice Chairman
Mr. Bill Mills*

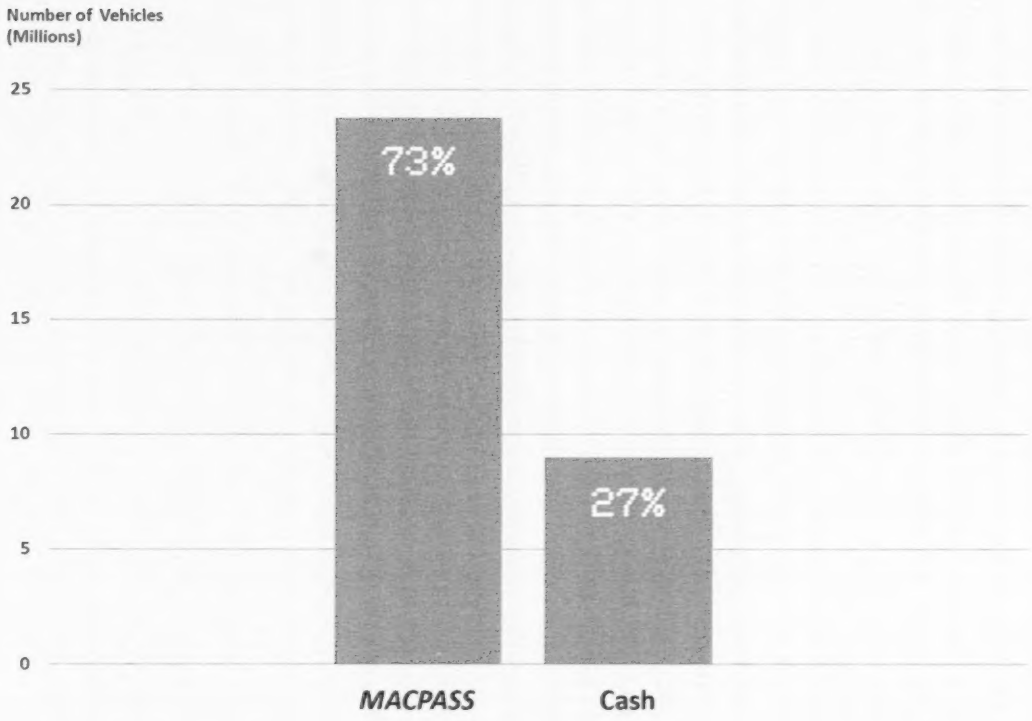
*Provincial appointee

BY THE NUMBERS

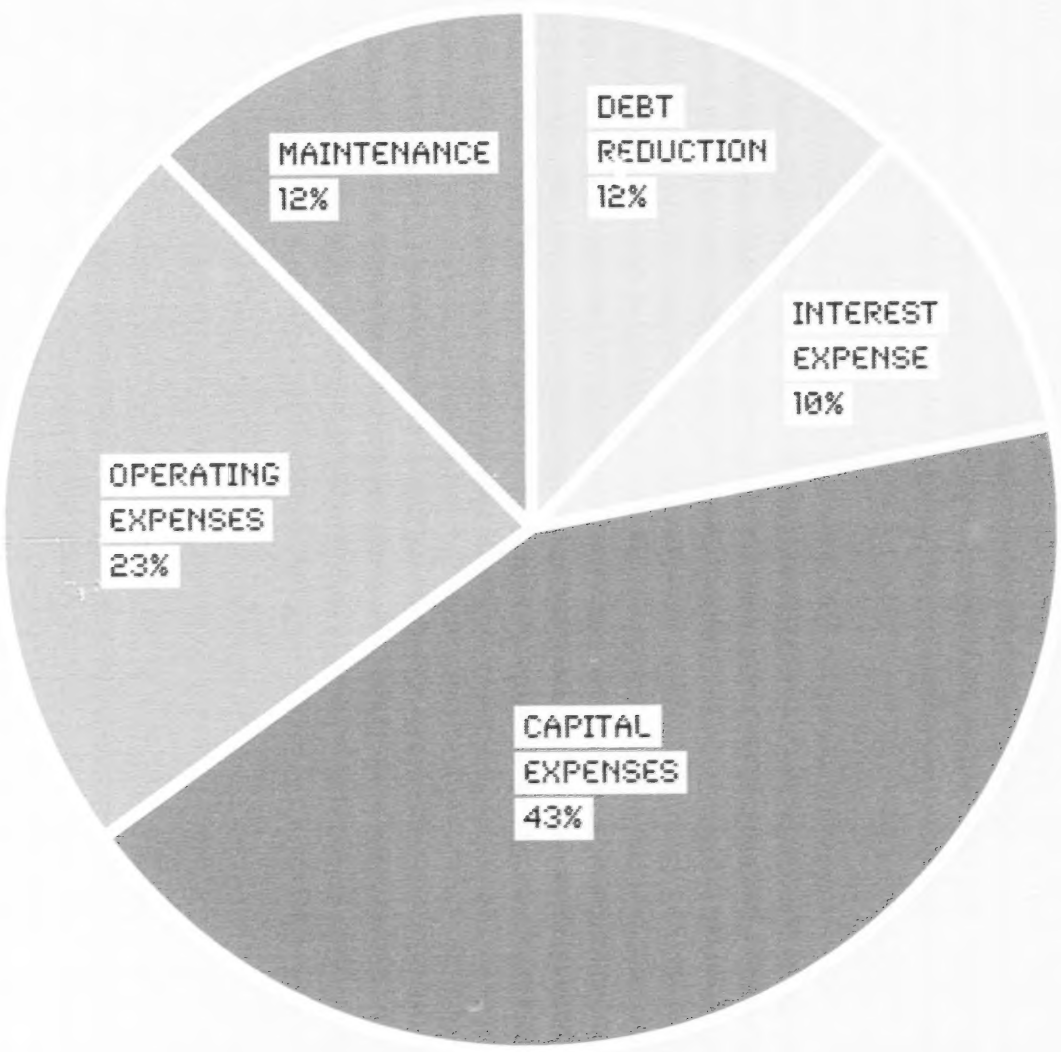
ANNUAL TRAFFIC STATISTICS

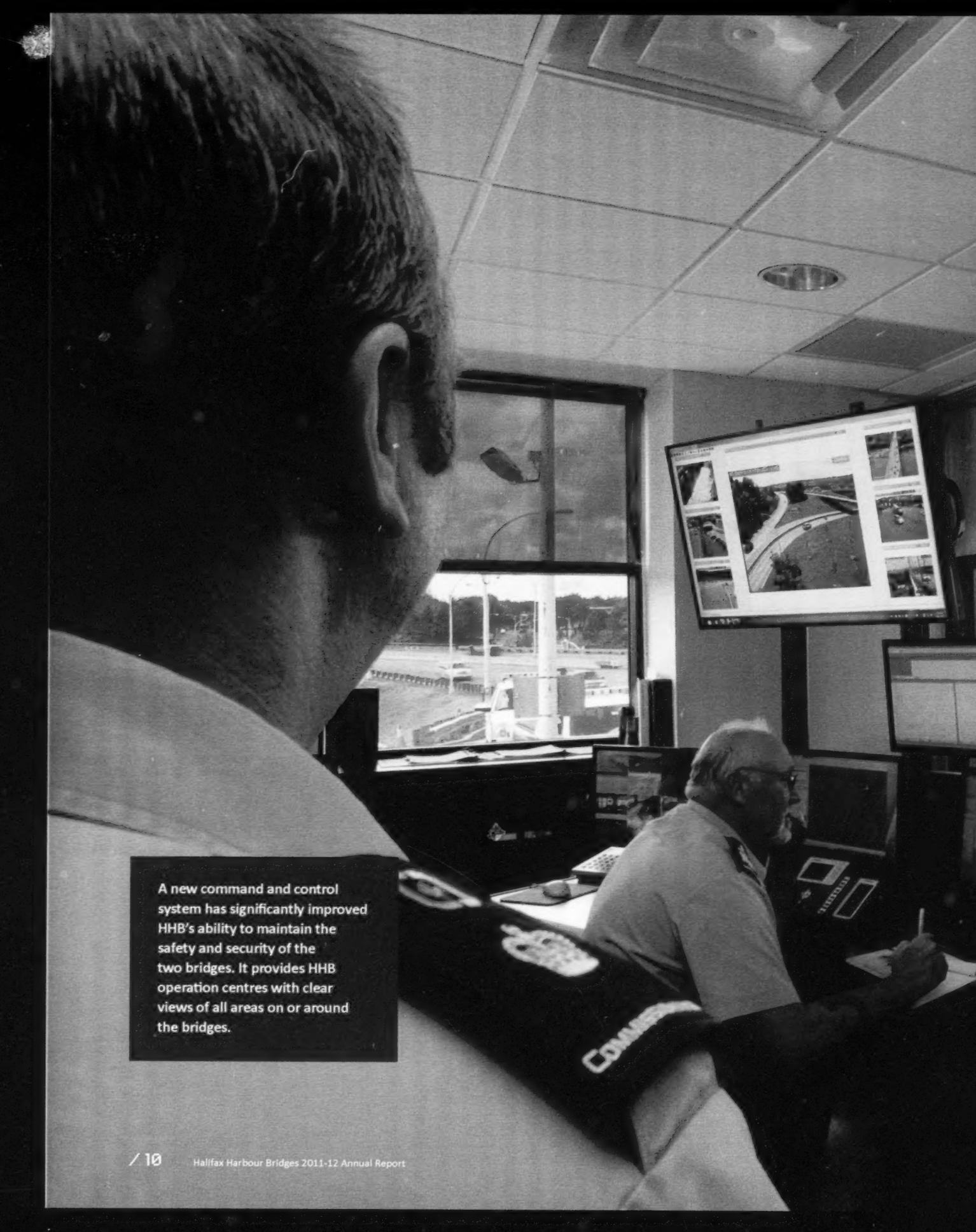


ELECTRONIC TOLL COLLECTION IN 2011



WHERE YOUR TOLL DOLLARS WENT IN 2011





A new command and control system has significantly improved HHB's ability to maintain the safety and security of the two bridges. It provides HHB operation centres with clear views of all areas on or around the bridges.

2011-12 HIGHLIGHTS

MAINTAINING A CLEAR VIEW TOWARDS SAFETY

Operations

Objective:
To ensure the safety of the traveling public and employees through ongoing reviews and implementation of HHB's policies, procedures and initiatives.

The safety of the travelling public and those who work on the bridges continues to be one of HHB's highest priorities. In 2010-11, this approach to safety was enhanced by being proactive as it relates to traffic control, enforcement and public awareness.

Traffic control was improved in part by a service agreement with a local towing company. This agreement allowed us to have towing vehicles placed at the approaches to the bridges, thus cutting most incident response times in half. This implementation dramatically increased efficiency of clearing incidents while minimizing disruptions to other motorists.

Enforcement was enhanced by the training of toll plaza staff to recognize hazardous cargo transported by commercial vehicles. HHB now has 12 staff members certified in weight identification and general load inspection. Identifying simple safety concerns ensures the safety of the bridge structure, and ultimately, our employees/contractors and the travelling public.

Safety is further enhanced by our access to the Justice Enterprise Information System, a system which, among other things, tracks driving offences nationwide. Access to driving records and offence information, along with the ability to monitor ticketing processes, allows us to maintain credible and effective traffic control.

We saw success as we educated the public about the link between driving behaviour and collisions on the bridges. The Listen to Bridget safe driving awareness campaign earned immeasurable media attention, got residents talking about bridge safety, and had a recall rate of over 50 per cent of surveyed HRM citizens.

A new command and control system has significantly improved our ability to maintain the safety and security of the two bridges. The surveillance system is enhanced by an advanced motion detection system, providing our operation centres with clear views of all vulnerable areas of the bridges. This enhanced visibility enables us to identify incidents faster than ever before, and assess the resources required at the site of the incident, expediting clean-up time. The command and control system has served to modernize and evolve longstanding security processes.

ENSURING THE STRUCTURAL SAFETY OF THE BRIDGES

Maintenance

Objective:
To ensure the bridges are well-maintained and structurally sound.

Many maintenance projects were ongoing in 2011-12 to ensure the continued safety of the two harbour bridges. Along with regular maintenance procedures, many projects were initiated in anticipation of the Macdonald Bridge suspended span redecking to begin in 2015. A significant focus is to ensure the MacKay Bridge will sustain additional traffic during the Macdonald Bridge suspended span redecking project, scheduled to begin in 2015. Further, we need to verify that the redecking of the MacKay Bridge is not required until well after the conclusion of the Macdonald Bridge suspended span redecking. This planning ensures minimal disruption to the traveling public at all times throughout the project.

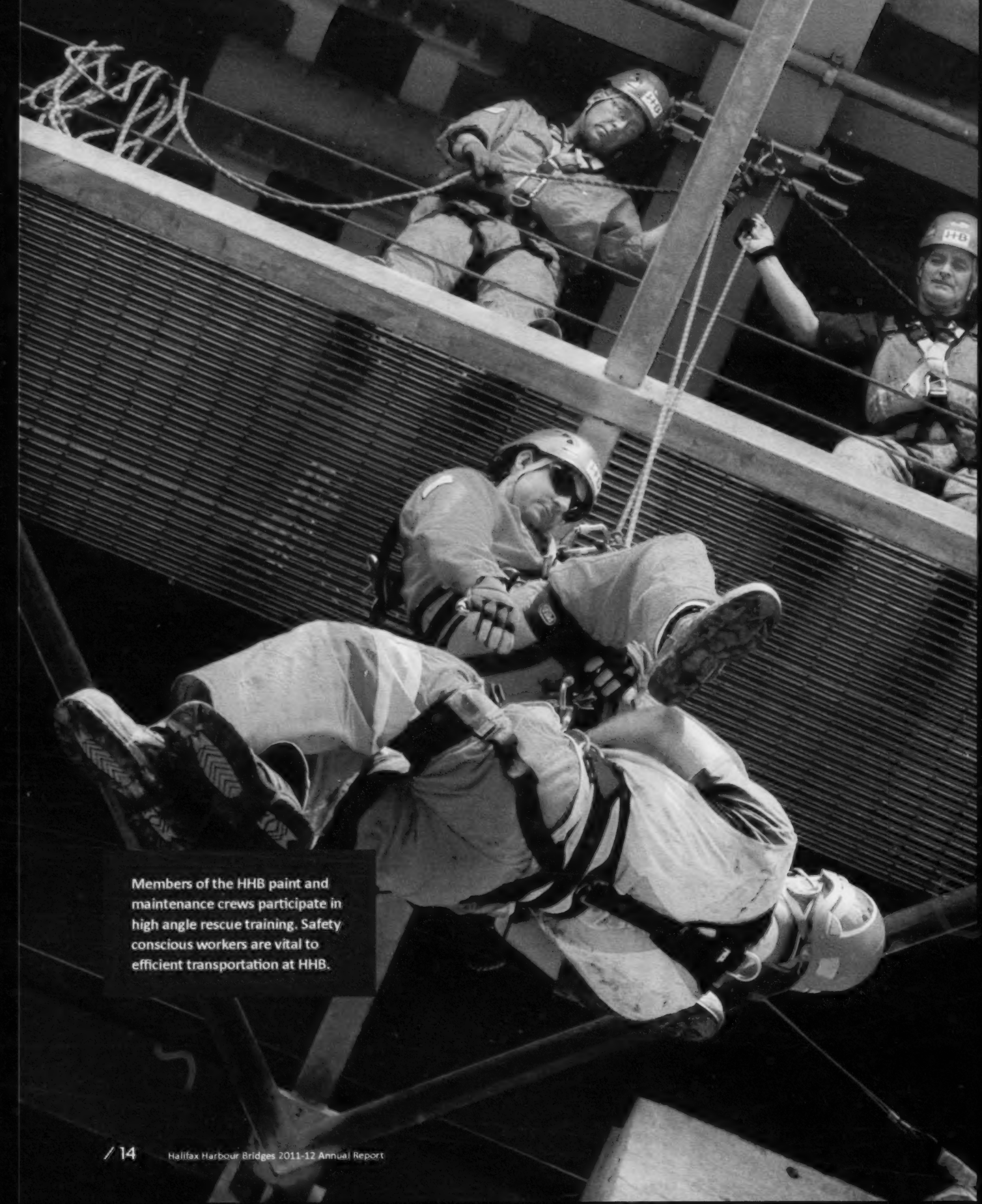
A key project at the MacKay Bridge was replacing several suspender ropes and traction rods. This project provided the opportunity to assess the condition of the remaining suspender ropes and inspect the bridge's main cable. The results of this inspection confirmed the main cable is in good condition, even after more than 40 years.

In 2010, two expansion joints and adjacent deck panels were replaced at the MacKay Bridge. These original deck panels were kept and used for fatigue testing. These deck panels, which have withstood more than 40 years of load-bearing, were ideal test subjects in determining the lifespan of the MacKay Bridge suspended span deck. Along with fatigue testing, strain gauging also helps predict when the MacKay Bridge suspension spans deck will need to be replaced. At this time, it is expected to be needed by 2023 to 2025.

Additional maintenance on the MacKay Bridge included replacing bearings and installing wind vibration dampers on the struts at the cable bents.

A more intensive safety orientation for the seasonal paint crew was a major achievement in 2011-12. Workers received one full day of safety-orientation prior to their return to the jobsite in 2011, compared to just a few hours of orientation in previous years. This momentum continued in 2012 as HHB provided a full two days of safety orientation to returning workers. This emphasis on safety is complemented by HHB management's commitment to achieving a world-class safety program, along with an emphasis on employee engagement in developing safety procedures.

Ahsan Chowdhury, HHB project engineer, inspects progress at a Macdonald Bridge anchor pier. Restoration of the anchor piers at both harbour bridges is another project designed to ensure the bridges remain structurally sound.



Members of the HHB paint and maintenance crews participate in high angle rescue training. Safety conscious workers are vital to efficient transportation at HHB.

2011-12 HIGHLIGHTS

BUILDING A STRONG SAFETY CONSCIOUSNESS

Efficient Transportation

Objectives:

1) **Maintain convenient and reliable passage by working with stakeholders to identify improvements, which will assist future capacity requirements.**
2) **Continue to actively market electronic toll collection *(MACPASS)* to decrease traffic congestion and accommodate future traffic growth.**
3) **Increase efficiency of toll collection.**

In 2011-12, HHB continued to promote the efficiency and environmental benefits of *MACPASS*. At the end of 2011, *MACPASS* users accounted for 73 per cent of all bridge crossings. Meanwhile, *MACPASS plus*, a service allowing customers to use *MACPASS* to pay for short and long-term parking at the Halifax Stanfield International Airport, continues to be a popular option. The service offers drivers the convenience of reduced wait times, express payment lanes and cashless parking. The growing success of *MACPASS plus* has prompted other parking authorities to express interest in adopting the service for their own parking facilities.

HHB endeavoured to evolve *MACPASS* even further in 2011-12. Smaller, faster, more cost efficient transponder technology is under investigation, and the feasibility of cashless toll collection is an ongoing study.

Vehicle classification – the way in which tolls are determined based on the number of axles under a vehicle, is also evolving at HHB. In 2011-12, HHB approved a new vehicle classification system which creates a map of the underside of a vehicle to determine the number of axles at a faster, more accurate rate.

Toll increases, the first in almost 20 years, took place on April 1, 2011 and April 1, 2012, respectively. HHB successfully updated toll collecting systems to reflect the increases and there were no interruptions to traffic flow. Excellent customer service and effective communication ensured smooth implementation and public acceptance of the toll increases.

Perhaps the biggest accomplishment over the past year is the instalment of a state-of-the-art security system. This system means a significant improvement in the security of our facilities, from the bridges to administration buildings. This system ensures all HHB property is safe for travel and work by improving incident detection and decreasing response times.

CORPORATE OVERVIEW

Mission

To provide safe, efficient and reliable cross harbour transportation infrastructure at an appropriate cost.

Vision

To be recognized as world-class in the implementation of innovative transportation solutions.

Core Values

The following values are the essential principles that guide Halifax Harbour Bridges as an organization:

Safety	A fundamental focus and shared responsibility.
Stewardship	The protection and maintenance of our bridges.
Customer service	Focused on excellence.
Respect	Relationships are based on open, truthful and professional communications.
Community	Engagement and support of our communities.
Integrity	Act with integrity, credibility and accountability.
Engagement	Focused on employee development and participation.
Leadership	Competent, energetic and focused.

Organizational Structure

The Board of Commissioners for Halifax Harbour Bridges (HHB) has nine members: five are appointed by the Province of Nova Scotia, including the chair and vice chair; and four members are Regional Councillors, appointed by Halifax Regional Municipality (HRM). The provincial appointees for 2011-12 were: Wayne Mason (chair); Graham Read (vice chair); Claude Carter; Bill Mills and Tim Olive. Representing HRM are Councillors: David Hendsbee; Gerry Blumenthal; Mary Wile and Jackie Barkhouse.

Within the board structure, standing committees provide governance and direction with:

- Audit
- Maintenance and safety
- Finance/administration/planning
- Operations, communications and *MACPASS*

There are 35 permanent staff and HHB seasonally employs approximately 35 painters and 12 landscaping staff. There are also 50 members of Commissionaires Nova Scotia (CNS) who are under contract and have provided operational services to the bridges for 57 years.

Strategic Goals

To achieve our vision, four key strategic goals will guide HHB.

Quality and Standards

Our customers, communities and colleagues will recognize the high quality with which we safely and efficiently operate and maintain the bridges.

Objectives:

- Improve safety for employees, contractors and users.
- Exceed standards for maintenance and operations.
- Reduce environmental impact.

Recognition of Values

Customers will appreciate their experience crossing the bridges.

Objectives:

- Decrease the frequency and impact of incidents on traffic.
- Increase quality of customer service.
- Improve active transportation.

Innovation

The public and government will recognize HHB as a leader in providing innovative transportation solutions.

Objectives:

- Increase real time messaging to the public.
- Increase efficiency of toll collection.

Leadership

We will be leaders within the workplace and within our communities.

Objectives:

- Build our leadership skills.
- Increase the level of employee engagement.

MANAGEMENT DISCUSSION AND ANALYSIS

For Three Months and Twelve Months Ended March 31, 2012

Halifax Harbour Bridges (HHB) is pleased to present its Management Discussion and Analysis with respect to the three months and twelve months ended March 31, 2012. The detailed discussion and analysis that follows is provided to assist readers in their assessment and understanding of the results of operations and the financial position of HHB during the fourth quarter of 2011-12 relative to 2010-11, and for the year ended March 31, 2012, relative to 2011. It combines an analysis of trends and year-to-year changes in the results with an outlook to the year ending March 31, 2012.

HHB reports as a government business enterprise as defined by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants (CICA). Government business enterprises are required to use generally accepted accounting principles for profit-oriented enterprises in their financial reporting.

The dollar amounts in this presentation are in thousands and in Canadian dollars.

HHB's web site is www.hdbc.ca.

Overview

HHB was created in 1950 by a statute of the Province of Nova Scotia (now the *Halifax-Dartmouth Bridge Commission Act* – Statutes of Nova Scotia, 2005, c.7).

HHB is a self-supporting entity that operates and maintains two toll bridges across the Halifax Harbour, the Angus L. Macdonald Bridge and the A. Murray MacKay Bridge.

HHB consists of nine Commissioners. The Province of Nova Scotia appoints five members including the Chair and Vice Chair, while the Halifax Regional Municipality appoints four Councillors.

HHB reports to the Legislature through the Minister of Finance.

Business

HHB has operated a two lane bridge, the Angus L. Macdonald Bridge, (the "Macdonald Bridge"), since 1955 (which now has a reversible third lane opened September, 1999) and a four lane bridge, the A. Murray MacKay Bridge, (the "MacKay Bridge"), since 1970.

Operation of the bridges and the related approaches includes continuing engineering inspections, routine and long term maintenance, repairs, winter snow and ice clearance, traffic patrols, security measures, toll collection, financial and general administration.

Competition

HHB does not face competition in any meaningful sense, as the service it provides is unique. The bridges directly connect the built up areas of Halifax and Dartmouth and generally provide significantly quicker access to the business districts of both communities than do the alternate routes. Pedestrians and cyclists are not permitted on the MacKay Bridge, but pedestrians may walk and cyclists ride across the Macdonald Bridge, without charge, in their dedicated lanes.

Those wishing to travel from one side of the Harbour to the other have several means of doing so; among them the Bridges operated by HHB which constitute the most direct route for motor vehicles across the Harbour. The alternatives are a combination of local streets and public highways around Bedford Basin, a distance of approximately 19 kilometres or more, measured from the Dartmouth approach to the Halifax approach of the MacKay Bridge. The ferries operated by Metro Transit carry only pedestrians and cyclists.

Financial affairs

HHB manages its own financial affairs within the policies established by the Province of Nova Scotia applicable to Crown corporations and government business enterprises generally.

HHB is financially self-supporting. It charges tolls to vehicles crossing the bridges and collects additional revenue from other utilities which have installed a water line and cables across the bridges.

Public Utility

For certain purposes, HHB is deemed to be a public utility and is subject to the general supervisory powers of the Nova Scotia Utility and Review Board (NSUARB).

By the terms of its act of incorporation, HHB is not subject to the provisions of the Public Utilities Act (Nova Scotia) relating to (a) new construction, improvements, betterments, or extensions to its property; (b) issue of shares, stocks, bonds, debentures or other evidences of indebtedness; (c) proper and adequate depreciation of its assets; and (d) setting up, maintaining, use and disposal of depreciation reserve funds.

Toll rates for the use of the bridges are subject to NSUARB approval.

Securities Regulations

HHB is no longer a reporting issuer in any jurisdiction and is no longer subject to any of the continuous disclosure obligations of reporting issuers.

Significant Items

IFRS

HHB has adopted IFRS effective April 1, 2010 and has prepared its opening IFRS statement of financial position as at that date. Prior to adoption of IFRS, the Company prepared its financial statements in accordance with GAAP. The Company's financial statements for the year ending March 31, 2012, are the first annual financial statements that comply with IFRS.

Under IFRS 1, HHB has elected to use fair value as deemed cost at the date of transition for land. Fair value was determined by a third party professional appraiser. The effect of this election is outlined in the reconciliation below. The adoption of IFRS requires the application of IFRS 1, which generally requires that an entity apply IFRS effective at the end of its first IFRS annual reporting period retrospectively. However, IFRS 1 does require certain mandatory exceptions and permits limited optional exemptions for retroactive application. The following optional exemption, under IFRS 1 was applied in preparation of the Financial Statements:

The following is a reconciliation of HHB's retained earnings reported in accordance with Canadian GAAP to retained earnings reported in accordance with IFRS at April 1, 2010 (the transition date) and March 31, 2011:

	March 31, 2011	April 1, 2010
Retaining earnings, as reported in accordance with Canadian GAAP	$ 25,801	$ 20,545
Fair value adjustment on land	3,449	3,449
Retained earnings, as reported in accordance with IFRS	$ 29,250	$ 23,994

Other then the above noted impact to land and retained earnings, the adoption of IFRS had no net impact on the amounts previously reported on the statement of operations or statement of cash flows for the year ended March 31, 2011.

Application to the Nova Scotia Utility and Review Board (NSUARB)

HHB submitted an application to the NSUARB for a toll increase to take effect in early 2011. Hearings commenced on November 22, 2010 and a decision was issued January 27, 2011 whereby the NSUARB approved the increase for the cash toll, effective April 1, 2011, and it also approved the *MACPASS* toll increase, to be phased in over two equal steps. The first *MACPASS* increase took effect April 1, 2011 and the second will take effect April 1, 2012. The cash toll increased by $0.25 and the *MACPASS* increases are $0.10 each.

Review of Year Ended March 31, 2012

	Three Months Ended March 31		Twelve Months Ended March 31	
Net Income/Retained Earnings ($000's)	**2011-12**	2010-11	**2011-12**	2010-11
Toll revenue	**$ 7,195**	$ 5,667	**$ 29,055**	$ 24,244
Other rate revenue	**41**	41	**163**	153
Investment income	**16**	14	**73**	37
Other income	**98**	499	**365**	1,643
Gain (loss) on disposal of property, plant & equipment	**0**	(102)	**2**	(252)
Total Revenue	**7,350**	6,119	**29,658**	25,825
Operating expenses	**1,557**	1,350	**5,897**	6,127
Maintenance expenses	**506**	829	**2,944**	3,217
Amortization of property, plant and equipment	**1,710**	1,664	**6,882**	6,717
Interest on line of credit	**6**	20	**32**	39
Interest on long-term debt	**616**	644	**2,572**	2,713
Total Expenses	**4,395**	4,507	**18,327**	18,813
Operating Income	**2,955**	1,612	**11,331**	7,012
Other Income				
Unrealized gain (loss) on investments	**(58)**	(26)	**94**	56
Restricted funds investment income	**59**	53	**254**	192
Total Other Income	**1**	27	**348**	248
Comprehensive Income	**$ 2,956**	$ 1,639	**$ 11,679**	$ 7,260

Results of Operations ($000's)

HHB's operating income increased by $1,317 to $2,956 in Q4 2011-12 compared to $1,639 in Q4 2010-11. HHB's year to date operating income increased by $4,419 to $11,679 from $7,260 for the same period in 2010-11. The significant year over year comparative differences within revenues and expenses are discussed later in this section.

Cash on hand for Q4 2011-12 was $6,650, which is held in an interest bearing account. This cash position is up from the March 31, 2011 cash position of $4,145 as it includes a significant increase in toll revenue.

Revenues ($000's)

Toll Revenue

Toll Revenue for Q4 2011-12 increased by $1,528 to $7,195, from $5,667 for the same period in 2010-11. Traffic volume for Q4 2011-12 increased by 423,393 vehicles, or 5.30%, over the same period in 2010-11. Year to date toll revenue for 2011-12 increased by $4,811 to $29,055, from $24,244 in 2010-11. Year to date traffic volume for 2011-12 was up by 299,936 vehicles or 0.89% over the same period in 2010-11. This increase in traffic volumes can be attributed to a Metro Transit strike which occurred February 2 - March 15, 2012.

Other Rate Revenue

Other rate revenue in Q4 2011-12 was consistent with Q4 2010-11, at $41. Year to date for other rate revenue increased by $10 to $163, from $153 during the same period in 2010-11. This increase is due to the additional telecommunication licence agreement. The other rate revenue represents amounts charged to various businesses, utilities and the Halifax Regional Municipality (HRM) for the use of the Macdonald Bridge and the MacKay Bridge to run their cables and a water line from one side of the harbour to the other; a land lease agreement; and payments to HHB for property access licence agreements.

Restricted Funds Investment Income

Investment income on the Capital Fund, Operations and Maintenance (OM) Fund, and Debt Service Fund and Capital Fund amounted to $59 for Q4 2011-12, compared to $53 in Q4 2010-11. Year to date restricted funds investment increased by $62 to $254 from $192 for the same period in 2010-11. This increase is reflective of the interest earned from the additional semi-annual investments in the Capital Fund during the past year.

Investment Income

Investment income in Q4 2011-12 increased by $2 compared to Q4 2010-11. Year to date investment income increased by $36 to $73 for the current year, from $37 for the same period in 2010-11. This increase is a result of effective cash flow management and the interest earned on the current account carrying balance.

Other Income

Other income in Q4 2011-12 decreased by $401 compared to Q4 2010-11. Year to date values for other income decreased by $1,278 to $365 from $1,643 in 2010-11. This significant decrease in other income can be attributed to a return to normal revenue flow. The prior year showed an increase due to a lawsuit settlement.

Gain and Loss on Disposal of Property, Plant & Equipment

The net gain on disposal of property, plant and equipment of $2 during 2011-12 applies to the disposals of mobile equipment and variable message signs and the sale of a 2010 Mission utility trailer. A net loss on the disposal of property, plant and equipment during 2010-11 in the amount of $252 applies to the removal/replacement of some of the bearings and expansion joints on the MacKay Bridge and the replacement of the Macdonald Bridge garage roof.

Total Revenue

These revenue changes resulted in an increase in total revenue during Q4 2011-12 of $1,231 compared to Q4 2010-11, and a year to date increase of $3,833 to $29,658 in 2011-12 from $25,825 for the same period in 2010-11.

Harmonized Sales Tax (HST) and Income Tax Status

As a public sector entity controlled by the Province of Nova Scotia, HHB is not subject to Federal or Provincial income taxes, and is entitled to rebates of 100% of the HST/GST it expends on goods and services.

Revenue Outlook

- Toll revenues are expected to increase in 2012-13 as compared to 2011-12 due to the toll increase, as long as vehicle traffic remains consistent with prior year.
- Other rate charges in 2012-13 are expected to increase slightly as compared to 2011-12.
- Restricted funds investment income will increase in 2012-13 as compared to 2011-12. This is a result of increased deposits in the Capital Fund.
- Other income is expected to increase in 2012-12 as compared to 2011-12 due to the unique revenue items recognized during each year.

Expenses ($000's)

Operating and Maintenance Charges (OM)

Operating expenses in Q4 2011-12 increased by $207 compared to Q4 2010-11. Year to date operating expenses decreased by $230 to $5,897 from $6,127 for the same period in 2010-11. The major operating expenses that decreased in 2011-12 as compared to 2010-11 were: professional fees $496; telecommunications $60; public relations $28; and insurance $20. The significant decrease in professional fees is due to traffic studies and preparation for the NSUARB toll increase application that occurred during 2010-11. The following operating expenses increased during 2011-12 as compared to 2010-11: *MACPASS* operations $262; operations $59; and office/general $43.

Maintenance expenses (which now include the safety department) decreased by $323 in Q4 2011-12 compared to Q4 2010-11. Year to date maintenance expenses decreased by $273 to $2,944 from $3,217 for the same period in 2010-11. The major maintenance expenses that decreased were: bridge maintenance $345; engineers' fees $94; and wages $40. The major maintenance expense items that increased were: painting maintenance $62; vehicle maintenance $35; and building maintenance $34.

Amortization of Property, Plant and Equipment

Amortization of property, plant and equipment for Q4 2011-12 increased by $46 compared to Q4 2010-11. Year to date amortization of property, plant, and equipment increased by $165 to $6,882 in 2011-12 compared to $6,717 for the same period in 2010-11. This increase is attributable to the commencement of amortization for capital projects completed in 2011.

Amortization of property, plant, and equipment includes amortization of deferred capital contribution for the Victoria Road Interchange asset that was transferred from the Province of Nova Scotia in 2008.

Interest on Line of Credit

An interest expense on the line of credit in the amount of $6 was realized during Q4 2011-12, and a year to date interest expense of $32 for 2011-12. This is a result of HHB drawing an advance in Q3 2010-11 against the $60,000 revolving, unsecured Line of Credit with the Province of Nova Scotia (established on June 30, 2008). Interest expense in the amount of $20 was realized during Q4 2010-11, and a year to date amount of $39 for 2010-11.

Interest on Long Term Debt

Interest expense on the long term debt decreased $28 in Q4 2011-12 to $616 compared to $644 for the same period in 2010-11. The year to date decrease of $141 to $2,572 for 2011-12 as compared to $2,713 for the same period in 2010-11 can be attributable to the annual installment payment of $3,000, thereby reducing the long term debt base used in calculating the annual interest cost.

Total Expenses

Expense variations resulted in a decrease in total expenses for Q4 2011-12 of $112 to $4,395 as compared to $4,507 for the same period in 2010-11 and a year to date decrease of $486 in 2011-12 to $18,327 from $18,813 for the same period in 2010-11.

Unrealized Loss on Investments

HHB recognized an unrealized loss of $58 for Q4 2011-12 as compared to an unrealized loss of $26 for the same period in 2010-11. HHB has an unrealized year to date gain of $94 as compared to an unrealized gain of $56 for the same period in 2010-11. These gains or losses reflect the difference between the investment asset book value and the fair market value and is in accordance with accounting standards in the classification of financial assets.

Expense Outlook

- Operating expenses are expected to increase in 2012-13 over 2011-12 due to an increase in toll and IT systems. Maintenance expenses are expected to increase by approximately $1,234 due to bridge maintenance projects.
- Amortization of property, plant and equipment is expected to increase in 2012-13 from the amount recorded in 2011-12.
- Interest expense for 2011-12 will decrease due to the continuing repayment of the Province of Nova Scotia long term loan.

Appropriation to Restricted Assets ($000's)

As required by the terms of the $60,000 long term loan agreement with the Province of Nova Scotia, dated July 25, 2007, HHB has established two reserve funds effective December 4, 2007: the OM Fund at $2,907, which is equal to at least 25% of annual OM expenses budgeted for the following year, and a Debt Service Fund at $1,232, which is equal to at least 50% of annual interest payments budgeted for the following year on the outstanding loan balance. These reserves are restricted in their use, and are designated as such in both the asset and equity sections of the Balance Sheet. The funding of these reserves is shown as an appropriation of retained earnings on the Statement of Income and Retained Earnings. OM and Debt Service reserve funds will be contributed to or withdrawn from annually as necessary to maintain the funds at the amount required by the long term loan agreement.

Under the terms of the long term loan agreement, HHB established and deposited a minimum of $900 to a Capital Fund commencing June 4, 2008 and every six months thereafter for the duration of the loan.

Appropriation to Restricted Assets Outlook

Under the terms of the long term loan agreement, HHB will maintain and contribute to the Capital Fund, OM Fund and Debt Service Fund as required for 2012-13.

Net Income Outlook

- Revenue for 2012-13 is expected to increase compared to 2011-12.
- Expenses for 2012-13 are expected to increase compared to 2011-12.
- Overall, it is expected that net income for 2012-13 will decrease slightly from 2011-12.

Summary of Quarterly Reports (000's)

For the Quarter Ended	**Q4 Mar. 31/12**	Q3 Dec. 31/11	Q2 Sept. 30/11	Q1 Jun. 30/11	Q4 Mar. 31/11	Q3 Dec. 31/10	Q2 Sept. 30/10	Q1 Jun. 30/10
Total Revenue	**$ 7,350**	$ 7,589	$ 7,610	$ 7,353	$ 6,290	$ 7,248	$ 6,362	$ 6,445
Operating Income	**$ 2,956**	$ 3,209	$ 2,964	$ 2,549	$ 1,638	$ 2,356	$ 1,560	$ 1,704

Fluctuations in the operating income quarterly results is indicative of the timing of various maintenance projects throughout the last eight quarters. The increase in operating income for 2011-12 is associated with the toll increase effective April 1, 2011, as well as a decrease in operating expenses.

HHB is a non-share entity incorporated by the Province of Nova Scotia. HHB has never paid a dividend.

Balance Sheet (000's)

At March 31	2012	2011
Total Assets	$ 106,778	$ 98,084
Total Long (Short) Term Liabilities	$ 56,115	$ 59,100

Total assets increased by $8,694 for 2011-12 over the year ended March 31, 2011 due to the increase in cash, reserves in restricted assets, and fixed asset additions.

The short term debt component of Total Liabilities for 2011-12 consists of an additional $2,000 for an advance on the line of credit in addition to the $3,000 for the current principal amount due on December 4th of each year on the $48,000 outstanding loan with the Province of Nova Scotia. The long term loan agreement, which was made with the Province of Nova Scotia on July 25, 2007, has a final maturity date of December 4, 2019 and bears an average annual interest rate of 5.13%. The $2,000 outstanding for the advance on the line of credit with the Province of Nova Scotia was rolled over in February 2012.

Liquidity (000's)

The following discussion of Operating, Financing and Investing Activities should be read in conjunction with the Statement of Cash Flows included in the unaudited financial statements, which indicates a positive cash flow of $2,505 for the year ended March 31, 2012 compared to a positive cash flow of $1,030 for the same period in 2011.

Operating Activities

HHB's operating activities generated $20,935 in positive cash flow during the year ended March 31, 2012 compared to a $15,853 positive cash flow in the same period in 2011. Continued positive cash flow from operations is anticipated for 2012-13.

Investing Activities

HHB incurred capital expenditures of $12,756 (net of government assistance) during the year ended March 31, 2012, up from $11,048 for the same period in 2011. HHB invested $2,010 in the Capital Fund and reinvested the matured holdings (plus interest) in the OM Fund and Debt Service Fund during the year ended March 31, 2012, in accordance with the long term loan agreement with the Province of Nova Scotia.

HHB recognized an increase in the accrued employee future benefits liability to $32 during the year ended March 31, 2012 (see Notes to Financial Statements #15).

Financing Activities

HHB did not request any advances in the year ended March 31, 2012, compared to the same period in 2010-11. In 2010-11, HHB received three advances, totaling $5,000, against the $60,000 line of credit with the Province of Nova Scotia: $1,000 in August 2010, $2,000 in September 2010, and $2,000 in November 2010.

HHB repaid the current portion of the long term debt of $3,000 to the Province of Nova Scotia on December 4, 2011 and December 4, 2010, respectively.

Capital Resources (000's)

HHB's capital requirements budget for 2012-13 is estimated at approximately $15,518 and encompasses major expenditures such as: $6,950 on the Macdonald Bridge for the suspended spans re-decking lead work; $1,000 for the security upgrade project; $1,000 for guardrail end treatments/crash attenuators; $1,000 for security fencing; $870 for concrete pier repairs; $1,661 for other toll and IT capital projects; $2,630 for other bridge projects; and $407 for minor capital expenditures.

Related Party Transactions (000's)

As a provincially controlled public sector entity, HHB is considered to be related to the Province of Nova Scotia. HHB is also related to the Halifax Regional Municipality as it has significant influence over the Board.

On July 25, 2007, HHB entered into a refinancing loan agreement for $60,000 with the Province of Nova Scotia. HHB interest on the long term debt for the period ended March 31, 2012, was $2,572, of which $790 was payable at year end.

On June 30, 2008, HHB entered into a $60,000 revolving, unsecured Line of Credit (LOC) with the Province of Nova Scotia. HHB has one advance outstanding totaling $2,000 against the LOC. Interest for the period ended March 31, 2012, was $32, of which $2 was payable at year end.

Financial Instruments (000's)

Fair Value of Financial Instruments

Financial instruments of HHB consist mainly of cash, accounts receivable, restricted assets, accounts payable, accrued liabilities and short term and long term debt. The carrying values of these financial assets and financial liabilities approximate their fair values, except for restricted assets and long term debt, as disclosed in Notes to Financial Statements #7 and #8 respectively.

Interest Rate Risk

The market value of HHB's restricted asset investments is directly related to the market interest rate in effect at the time of the market value determination as indicated in Notes to Financial Statements #7. HHB is exposed to interest rate cash flow risk on the Line of Credit with the Province of Nova Scotia, as the interest rate is a floating rate that is reset quarterly as market rates change, as indicated in Notes to Financial Statements.

INDEPENDENT AUDITOR'S REPORT

To the Chair and Commissioners of Halifax Harbour Bridges:

We have audited the accompanying financial statements, which comprise the statements of financial position of the Halifax-Dartmouth Bridge Commission (operating as Halifax Harbour Bridges) as at March 31, 2012, March 31, 2011 and April 1, 2010 and the statements of changes in equity, statements of comprehensive income and statements of cash flows for the years ended March 31, 2012 and 2011 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

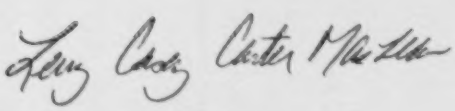
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Halifax-Dartmouth Bridge Commission as at March 31, 2012, March 31, 2011 and April 1, 2010, and the results of its operations and cash flows for the years ended March 31, 2012 and 2011 in accordance with International Financial Reporting Standards.



Levy Casey Carter MacLean
Chartered Accountants
Halifax, Nova Scotia
June 27, 2012

AUDITED STATEMENTS OF FINANCIAL POSITION

($000's)	as at March 31, 2012	as at March 31, 2011	as at April 1, 2010
ASSETS			
Current			
Cash (note 4(f))	$ 6,650	$ 4,145	$ 3,115
Receivables:			
Trade	339	629	319
Accrued interest	7	6	1
Recoverable HST (note 5)	252	138	250
Prepaid expenses	206	170	158
Total Current Assets	7,454	5,088	3,843
Restricted Assets (note 7)			
Capital Fund	8,021	5,916	3,753
OM Fund	2,907	2,511	2,597
Debt Service Fund	1,232	1,307	1,380
Total Restricted Assets	12,160	9,734	7,730
Total Current and Restricted Assets	19,614	14,822	11,573
Property, plant and equipment (note 6)	87,164	83,262	80,928
TOTAL ASSETS	$ 106,778	$ 98,084	$ 92,501
LIABILITIES			
Current			
Payables and accruals, trade	$ 2,756	$ 1,945	$ 2,957
Project holdbacks payable	273	1,140	890
Refundable customer transponder amounts	22	24	26
Deferred revenue (note 4(a)).	2,755	2,712	2,623
Current portion unearned revenue	103	103	83
Line of credit (note 8)	2,000	2,000	-
Current portion of long term debt (note 8)	3,000	3,000	3,000
Total Current Liabilities	10,909	10,924	9,579
Accrued employee future benefits (note 14)	159	127	148
Unearned revenue	47	49	50
Long term debt (note 8)	45,000	48,000	51,000
TOTAL LIABILITIES	56,115	59,100	60,777
EQUITY			
Reserve for restricted assets (note 7)	12,160	9,734	7,730
Retained earnings	38,503	29,250	23,994
TOTAL EQUITY	50,663	38,984	31,724
TOTAL LIABILITIES AND EQUITY	$ 106,778	$ 98,084	$ 92,501

On Behalf of the Commission

Wayne Mason
Chairman

Graham Read
Vice Chairman

AUDITED STATEMENTS OF CHANGES IN EQUITY

($000's) Years Ended March 31, 2012 and 2011

		Restricted Assets				
	Retained Earnings	Capital Fund	OM Fund	Debt Service Fund	Total Restricted	Total Equity
Balance at April 1, 2010	$ 23,994	$ 3,753	$ 2,597	$ 1,380	$ 7,730	$ 31,724
Comprehensive income	7,012	211	24	13	248	7,260
Transfers to (from)	(1,756)	1,952	(110)	(86)	1,756	-
Balance at March 31, 2011	29,250	5,916	2,511	1,307	9,734	38,984
Comprehensive income	11,331	305	28	15	348	11,679
Transfers to (from)	(2,078)	1,800	368	(90)	2,078	-
Balance at March 31, 2012	**$ 38,503**	**$ 8,021**	**$ 2,907**	**$ 1,232**	**$ 12,160**	**$ 50,663**

AUDITED STATEMENTS OF COMPREHENSIVE INCOME

($000's)	**Year Ended March 31, 2012**	Year Ended March 31, 2011
Revenue		
Toll revenue (note 4(a))	**$ 29,055**	$ 24,244
Other rate revenue	**163**	153
Investment & sundry income		
Investment income	**73**	37
Other income (note 18)	**365**	1,643
Gain (loss) on disposal of property, plant & equipment	**2**	(252)
Total Revenue	**29,658**	25,825
Expenses		
Operating expenses	**5,897**	6,127
Maintenance expenses	**2,944**	3,217
Amortization of property, plant & equipment	**6,882**	6,717
Interest on line of credit	**32**	39
Interest on long term debt	**2,572**	2,713
Total Expenses	**18,327**	18,813
Operating Income	**11,331**	7,012
Other Income		
Unrealized gain on investments	**94**	56
Restricted funds investment income	**254**	192
Total Other Income	**348**	248
Comprehensive Income	**$ 11,679**	$ 7,260

AUDITED STATEMENTS OF CASH FLOWS

($000's)	Year Ended March 31, 2012	Year Ended March 31, 2011
Operating Activities		
Net income	$ 11,679	$ 7,260
Amortization of property, plant & equipment	6,882	6,717
Interest expense	2,604	2,752
Investment income	(327)	(229)
Unrealized gain on investments	(94)	(56)
Net loss on disposal of property, plant & equipment	(2)	252
	20,742	16,696
Net change in non-cash working capital balances (note 9)	193	(843)
	20,935	15,853
Investing Activities		
Purchase of property, plant & equipment	(10,790)	(13,709)
Proceeds from disposal of property, plant, & equipment	8	28
Investment in Capital Fund	(2,010)	(2,108)
Investment in OM Fund	(396)	86
Investment in Debt Service Fund	74	74
Government assistance (note 16)	-	4,378
Increase (decrease) in accrued employee future benefits liability (note 14)	32	(21)
Investment income received	326	224
	(12,756)	(11,048)
Financing Activities		
Long term debt instalment payment	(3,000)	(3,000)
Increase in line of credit – Province of Nova Scotia	-	2,000
Interest paid	(2,674)	(2,775)
	(5,674)	(3,775)
Increase in cash during year	2,505	1,030
Cash, beginning of year	4,145	3,115
Cash, end of year	$ 6,650	$ 4,145

AUDITED NOTES TO FINANCIAL STATEMENTS

1. Reporting entity

The Halifax-Dartmouth Bridge Commission, operating as Halifax Harbour Bridges (HHB) was created in 1950 by a statute of the Province of Nova Scotia (now the *Halifax-Dartmouth Bridge Commission Act* – Statutes of Nova Scotia, 2005, c.7). HHB's address and principal place of business is 125 Wyse Road, Dartmouth, Nova Scotia, B3A 4K9.

HHB is a self-supporting entity in which the principal business is the operation and maintenance of two toll bridges across the Halifax Harbour; the Angus L. Macdonald Bridge and the A. Murray MacKay Bridge.

Under the *Halifax-Dartmouth Bridge Commission Act*, Section 27 (1) – With the approval of the Governor in Council, HHB may construct, maintain and operate a transportation project across Halifax Harbour and the North West Arm, or either of them.

The Government of the Province or the Halifax Regional Municipality may request HHB to investigate the sufficiency of the means of access to Halifax provided by the Bridges or the present or future need of a transportation project as stipulated under the *Halifax-Dartmouth Bridge Commission Act*, Section 27 (2).

Under the *Halifax-Dartmouth Bridge Commission Act*, Section 27 (3) – Any costs incurred by HHB under this Section are expenses of operating the Bridges or a transportation project in respect of which HHB is collecting tolls, fees, rates and other charges.

The audited financial statements were approved by the Board of Commissioners on June 27, 2012.

2. First-time adoption of International Financial Reporting Standards ($000's)

HHB has adopted IFRS effective April 1, 2010 and has prepared its opening IFRS statement of financial position as at that date. Prior to adoption of IFRS, HHB prepared its financial statements in accordance with Canadian GAAP. HHB's financial statements for the year ending March 31, 2012 are the first annual financial statements that comply with IFRS.

The adoption of IFRS requires the application of IFRS 1, which generally requires that an entity apply IFRS retrospectively, effective at the end of its first IFRS annual reporting period. However, IFRS 1 does require certain mandatory exceptions and permits limited optional elections for retroactive application. HHB has applied the following mandatory exceptions and optional elections:

Mandatory exceptions

(a) Estimates – Hindsight was not used to create or revise estimates and accordingly the estimates previously made by HHB under Canadian generally accepted accounting principles ("GAAP") are consistent with their application under IFRS.

Optional elections

(b) Business combinations – HHB has elected not to apply IFRS 3, Business Combinations retrospectively to any business combinations that occurred before the date of transition, and as such, the accounting used for any historical business will continue to be applicable under IFRS.

(c) Fair value – Under IFRS 1 HHB has elected to use fair value as deemed cost at the date of transition for land. Fair value was determined by a third party professional appraiser. The effect of this election is outlined in the reconciliation below.

Reconciliation of opening retained earnings under IFRS:

	March 31, 2011	April 1, 2010
Retaining earnings, as reported in accordance with Canadian GAAP	$ 25,801	$ 20,545
Fair value adjustment on land	3,449	3,449
Retained earnings, as reported in accordance with IFRS	$ 29,250	$ 23,994

Other than the above noted impact to land and retained earnings, the adoption of IFRS had no net impact on the amounts previously reported on the statement of operations or statement of cash flows for the year ended March 31, 2011. Investment income received and interest paid were previously reported as operating activities under Canadian GAAP. Under IFRS these amounts have been reported as investing and financing activities on the statement of cash flow. Deferred transponder charges and deferred capital contribution were previously reported as separate items on the statement of financial position. Under IFRS these amounts have been included as a component of property, plant and equipment on the statement of financial position and the related amortization of these items has been included with amortization of property, plant and equipment on the statements of comprehensive income and cash flows.

Future changes in accounting policies

IFRS 9 Financial Instruments:

This standard replaces the current IAS 39 Financial Instruments Recognition and Measurement. The standard introduces new requirements for classifying and measuring financial assets and liabilities. HHB will start the application of IFRS 9 in the financial statements effective from April 1, 2013. HHB has not yet evaluated the impact on the financial statements.

IFRS 13 Fair Value Measurements:

This standard defines fair value, provides guidance on its determination and introduces consistent requirements for disclosures on fair value measurements. HHB will start the application of IFRS 13 in the financial statements effective from April 1, 2013. HHB has not yet evaluated the impact on the financial statements.

IAS 19 Employee Benefits:

The standard prescribes accounting and disclosure for employee benefits. HHB currently contributes to a defined contribution plan. HHB will start the application of this standard in the financial statements effective from April 1, 2013. HHB does not expect any impact to the financial statements as a result of adopting this standard.

3. Basis of financial statement preparation

(a) Statement of compliance

HHB, which is a provincially controlled public sector entity, is reporting as a government business enterprise as defined in the Public Sector Accounting Handbook of the Canadian Institute of Chartered Accountants. Government business enterprises are required to use International Financial Reporting Standards (IFRS) for profit-oriented entities, which is the basis under which these financial statements are prepared. The financial statements are prepared on a going concern basis and have been presented in Canadian dollars. These Financial Statements have been prepared in accordance with IFRS. The principal accounting policies are set out below.

(b) Basis of preparation

The financial statements have been prepared on the historical cost basis except for the following items in the statement of financial position:

* cash, the OM Fund, Debt Service Fund and Capital Fund are reported at fair value
* land is measured at deemed cost which is equal to fair value at the date of transition to IFRS

4. Significant accounting policies ($000's)

a) Revenue recognition

HHB recognizes revenue at the time a vehicle crosses a bridge. HHB's bridge toll rates are regulated by the Nova Scotia Utility and Review Board (NSUARB). Customers prepay their ETC crossings. When the customer crosses a bridge, revenue is recognized and the deferred ETC account is reduced accordingly.

b) Significant accounting judgements and estimates

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant. Management makes significant estimates as to the remaining life of the bridges and bridge components. Such estimates could vary materially from actual experience.

Judgement is used when determining if components of a construction project are of a capital or repair nature and as to the estimated useful lives of additions and current components of the bridges. These judgements, and estimates are based on past experience and other information obtained from HHB's internal and consulting engineers.

c) Government grants

Infrastructure funding from Infrastructure Canada and the Province of Nova Scotia is accrued as earned and recorded as a reduction in the capital cost of the related asset.

d) Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated amortization and any accumulated impairment losses. Land is recorded at deemed cost as of April 1, 2010 as per the optional election made on the transition to IFRS as described in note 2.

Cost includes expenditures that are directly attributable to the acquisition of the asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount and are recognized net within profit or loss.

e) Amortization of property, plant & equipment

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment since this most closely reflects the expected pattern of consumption of future economic benefits embodied in the asset. Amortization commences in the year an asset is put in use. Amortization methods, useful lives and residual values are reviewed at each financial year end, based on consultation with HHB's internal and external consulting engineers, and adjusted if appropriate. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	5 - 40 yrs
Bridge and bridge components	
- Angus L. Macdonald	5 - 125 yrs
- A. Murray MacKay	5 - 125 yrs
Electronic toll transponders	to Dec. 31, 2017
Other assets	2 - 5 yrs
IT Computers & other equipment	5 - 25 yrs
Mobile equipment	5 - 10 yrs

f) Cash

Cash consists of funds held in the current bank account and cash on hand. Interest is received on funds in the general bank account at a rate of Prime minus 1.75%.

g) Financial instruments

Financial instruments are classified into one of the following categories: loans and receivables or fair value through profit and loss (FVTPL). Financial liabilities are classified as FVTPL, or as other financial liabilities. All financial instruments are initially recorded at fair value. All financial instruments are subsequently measured at fair value expect for loans and receivables, held-to-maturity investments, and other financial liabilities that are measured at amortized cost using the effective interest rate method.

Cash and cash equivalents, the OM Fund, Debt Service Fund and Capital Fund are classified as FVTPL. Transaction costs are expensed when incurred. HHB uses publically available quotations provided by major Canadian financial institution to determine the fair values of HHB's restricted cash and investments.

Receivables are classified as loans and receivables, and payables, line of credit and long term debt are classified as other financial liabilities. Direct and indirect financing costs that are attributable to the issue of other financial liabilities are presented as a reduction from the carrying amount of the related debt and are amortized using the effective interest rate method over the terms of the related debt. These financial instruments are deemed to have been issued at prevailing market interest rates at the date of advance, accordingly no adjustment for fair value has been recorded.

h) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. When funds are temporarily invested pending their expenditure on qualifying assets, any such interest income, earned on such funds is deducted from the borrowing cost incurred.

All other borrowing costs are recognized as interest expense in the income statement in the period in which they are incurred.

5. Harmonized Sales Tax (HST) and Income Tax Status

As a public sector entity controlled by the Province of Nova Scotia, HHB is not subject to Federal or Provincial income taxes, and is entitled to rebates of 100% of the HST it expends on goods and services.

6. Property, plant and equipment ($000's)

	Land	Buildings	Bridge ALM	Bridge AMM	Electronic Toll Transponders	Other Assets	Computers & Equipment	Mobile Equipment	Construction in Progress	Total
Cost or deemed cost										
Balance April 1, 2010	$ 9,184	$ 3,642	$ 70,247	$ 32,518	$ 4,074	$ 3,129	$ 9,129	$ 1,382	$ 4,722	$ 138,027
Additions	-	234	72	4,782	487	220	-	145	3,406	9,346
Retirements	-	(52)	-	(1,306)	-	-	(16)	(60)	-	(1,434)
Transfers	-	-	-	1,647	-	1,940	-	-	(3,587)	-
Balance March 31, 2011	9,184	3,824	70,319	37,641	4,561	5,289	9,113	1,467	4,541	145,939
Additions	-	57	133	1,812	162	38	(2)	154	8,436	10,790
Retirements	-	-	-	(17)	-	(36)	-	(88)	-	(141)
Transfers	-	-	-	369	-	8	-	-	(377)	-
Balance March 31, 2012	**$ 9,184**	**$ 3,881**	**$ 70,452**	**$ 39,805**	**$ 4,723**	**$ 5,299**	**$ 9,111**	**$ 1,533**	**$ 12,600**	**$ 156,588**
Accumulated amortization										
Balance April 1, 2010	$ -	$ 1,845	$ 30,812	$ 16,980	$ 1,922	$ 1,832	$ 2,780	$ 928	$ -	$ 57,099
Amortization expense	-	95	3,642	1,117	340	339	1,080	104	-	6,717
Adjustment	-	-	-	-	-	-	-	-	-	-
Retirements	-	(32)	-	(1,022)	-	(43)	-	(42)	-	(1,139)
Balance March 31, 2011	-	1,908	34,454	17,075	2,262	2,128	3,860	990	-	62,677
Amortization expense	-	106	3,469	1,398	364	337	1,079	129	-	6,882
Adjustment	-	-	-	-	-	-	-	-	-	-
Retirements	-	-	-	(16)	-	(35)	-	(84)	-	(135)
Balance March 31, 2012	**$ 0**	**$ 2,014**	**$ 37,923**	**$ 18,457**	**$ 2,626**	**$ 2,430**	**$ 4,939**	**$ 1,035**	**$ 0**	**$ 69,424**
NBV April 1, 2010	$ 9,184	$ 1,797	$ 39,435	$ 15,538	$ 2,152	$ 1,297	$ 6,349	$ 454	$ 4,722	$ 80,928
NBV March 31, 2011	$ 9,184	$ 1,916	$ 35,865	$ 20,566	$ 2,299	$ 3,161	$ 5,253	$ 477	$ 4,541	$ 83,262
NBV March 31, 2012	**$ 9,184**	**$ 1,867**	**$ 32,529**	**$ 21,348**	**$ 2,097**	**$ 2,869**	**$ 4,172**	**$ 498**	**$ 12,600**	**$ 87,164**

7. Restricted Assets (000's)

HHB entered into a long term loan agreement with the Province of Nova Scotia on July 25, 2007. This agreement requires that HHB maintain two reserve funds effective December 4, 2007 which are the Operating, Maintenance & Administrative Fund (OM Fund) and Debt Service Fund and effective June 4, 2008, a Capital Fund was also established.

Under the terms of the loan agreement, the OM Fund must be maintained at an amount at least equal to 25% of the annual budgeted OM expenses for the following year. This fund can only be used to pay OM expenses, although any amount in the fund in excess of the required balance can be transferred to HHB's unrestricted accounts. At March 31, 2012 the OM Fund was held in a GIC with a rate of 1.25%, maturing March 28, 2013 and had a market value of $2,907 ($2,511 – 2011; $2,597 – 2010).

Under the terms of the loan agreement, the Debt Service Fund must be maintained at an amount at least equal to 50% of annual interest payments required in respect of certain indebtedness. This fund can only be used to pay principal, interest, and fees, although any amount in the fund in excess of the required balance can be transferred to HHB's unrestricted accounts. At March 31, 2012 the Debt Service Fund was held in a GIC with a rate of 1.25%, maturing March 28, 2013 and had a market value of $1,232 ($1,307– 2011; $1,380 – 2010).

Under the terms of the loan agreement, HHB established and deposited a minimum of $900 to a Capital Fund commencing June 4, 2008 and every six months thereafter for the duration of the loan. This fund can only be used to pay amounts owing in respect of the principal or interest on the long term loan, or for the maintenance of, or improvements to, the bridges. At March 31, 2012, the Capital Fund, held by the Province of Nova Scotia, had a market value of $8,021 ($5,916 – 2011; $3,753 – 2010) and was invested in various provincial bonds maturing in 2013 and 2014 with annual yields of 3.99% to 10.00%.

8. Long Term Debt ($000's)

	2012	2011	2010
$60,000 long term loan with the Province of Nova Scotia. The loan agreement requires annual principal repayments of $3,000 plus interest, with a final principal repayment of $27,000 along with all accrued and unpaid interest thereon due on the final maturity date of December 4, 2019. Interest is payable semi-annually on July 4th and December 4th of each year. The average interest rate over the loan is 5.13%. This debt is unsecured.	**$ 48,000**	$ 51,000	$ 54,000
Less: Principal debt maturing within one year:	**(3,000)**	(3,000)	(3,000)
Total Long Term Debt:	**$ 45,000**	$ 48,000	$ 51,000

Minimum principal repayments required within the next five years and thereafter are as follows:

2013	$3,000
2014	$3,000
2015	$3,000
2016	$3,000
2017	$3,000
Thereafter	$33,000

HHB also has access to a $60,000 revolving, unsecured line of credit with the Province of Nova Scotia. As at March 31, 2012, the balance of this facility was $2,000 ($2,000 – 2011; nil – 2010) with the principal maturing on December 4, 2012. The interest rate is equal to the arithmetical average of the discount rates on CDOR Banker's Acceptances applicable on the date of the requested advance with interest payable on maturity. The interest rate on the funds outstanding is 1.38%.

HHB also has a $5,000 operating loan facility with a chartered bank which bears interest at prime rate minus 0.5% per year. The operating facility is subject to annual review and is unsecured. As at March 31, 2012, no advances were outstanding.

9. Net change in non-cash operating balances ($000's)

	2012	2011
Increase (decrease) in cash from changes in:		
Receivables	**$ 175**	$ (198)
Prepaid expenses	**(35)**	(12)
Payables and accruals	**13**	(740)
Customer transponder amounts	**(2)**	(2)
Unearned revenue	**(1)**	20
Deferred revenue	**43**	89
	$ 193	$ (843)

10. Financial instruments ($000's)

a) Credit risk management

HHB provides credit to its customers in the normal course of its operations. In order to reduce its credit risk, HHB has adopted credit policies including the monitoring of its customer accounts. HHB does not have a significant exposure to any individual customer or counterpart.

b) Interest rate risk

The long term debt bears fixed interest rates and consequently, the interest rate risk exposure is minimal.

The Province of Nova Scotia line of credit bears interest on the date of advance as per note 8 and consequently will fluctuate based on the rates in effect at the date of advance.

c) Liquidity risk

HHB is exposed to liquidity risk arising primarily from its long term debt with the Province of Nova Scotia which requires a balloon principal repayment of $27,000 on December 4, 2019. As indicated in note 7 HHB is required to contribute $900 every six months towards a capital fund which can be used to repay principal and interest on the debt. HHB believes the establishment and continued growth of this capital fund partially offsets the risk associated with the future balloon payment. In addition HHB has considered the current repayment terms of this debt as part of its assessment of the financing that will be required to complete the re-decking project of the ALM. Further, HHB maintains an optimal level of liquidity through maximizing cash flows by actively pursuing the collection of its trade receivables and by controlling the level of operating and capital expenditures. HHB's cash and cash equivalents, short-term investments and restricted cash and investments are invested in highly-liquid interest-bearing investments.

11. Capital management

HHB's objective when managing capital is to ensure there is adequate cash flow on hand to meet its operational and capital expenditure requirements. HHB regularly reviews its projected future toll revenues in conjunction with its current cash position and borrowing ability in order to finance significant future projects that are required to upgrade and maintain its property, plant and equipment. There were no changes to HHB's approach to capital management during the year.

12. Related party transactions ($000's)

As a provincially controlled public sector entity, HHB is considered to be related to the Province of Nova Scotia. HHB is also related to the Halifax Regional Municipality (HRM).

HHB has a long term loan for $60,000 from the Province of Nova Scotia (note 8). HHB interest on the long term debt for the period ended March 31, 2012 was $2,572 ($2,713 – 2011) of which $790 ($823 – 2011) was payable at year end.

HHB has a $60,000 revolving, unsecured line of credit from the Province of Nova Scotia (note 8). HHB has one advance totalling $2,000 against the line of credit and incurred interest in the amount of $32 ($39 – 2011), of which $2 ($39 – 2011) was payable as of March 31, 2012.

HHB collects toll revenue from the province and HRM and makes purchases from HRM in the normal course of business.

13. Pension plan ($000's)

HHB sponsors a defined contribution pension plan for all permanent employees. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

HHB recognized an expense of $119 for the year ended March 31, 2012 ($106 for 2011). No future contributions are required in respect of past service at March 31, 2012.

14. Accrued employee future benefits ($000's)

IFRS require entities to accrue all employee future benefits. HHB's policy is that all employees whose age and years of service total 80 or more, or who become disabled at any age, will be paid a retirement benefit equal to one month's salary for their first ten years of service, plus one month's salary for each additional five full years of service. The benefit is based on the salary in effect at the time of retirement. HHB has recorded a liability of $159 in retirement benefits at March 31, 2012 ($127 – 2011; $148 – 2010). A total of $32 ($13 – 2011) was allocated to operating and maintenance expenses for the period.

HHB's retiring allowance program is unfunded and benefits are based on length of service and final earnings, as per the criteria described in the preceding paragraph.

A summary of principal retirement allowance benefits expense and disclosure information, as required for disclosure purposes pursuant to IAS 19, for the current fiscal year follows. Actuarial measurements are as of March 31, 2012.

	2012	2011
Components of Benefit Cost		
Current service cost	$ 9	$ 8
Interest cost	7	8
Actuarial loss (gain) on accrued benefit obligation	16	(3)
Total benefit cost recognized in the period	$ 32	$ 13

	2012	2011
Changes in Accrued Benefit Obligation		
Accrued benefit obligation at end of prior year	$ 127	$ 148
Current service cost	9	8
Interest cost	7	8
Benefits paid	-	(34)
Actuarial loss (gain)	16	(3)
Accrued benefit obligation at end of period	$ 159	$ 127

	2012	2011	2010
Amounts Recognized in the Statement of Financial Position			
Accrued benefit obligation	**$ (159)**	$ (127)	$ (148)
Fair value of program assets	-	-	-
Excess (deficit)	**$ (159)**	$ (127)	$ (148)
Unamortized unvested past service costs (credits)	-	-	-
Unamortized net actuarial loss (gain)	-	-	-
Net liability	**$ (159)**	$ (127)	$ (148)

	2012	2011	2010
Weighted-Average Assumptions for Expense			
Discount rate	**5.50%**	5.50%	7.30%
Rate of compensation increase	**1.00% for 2 yrs., 2.50% thereafter**	1.00% for 2 yrs., 2.50% thereafter	1.00% for 2 yrs., 2.50% thereafter

	2012	2011	2010
Weighted-Average Assumptions to Determine Benefit Obligation			
Discount rate	**4.80%**	5.50%	5.50%
Rate of compensation increase	**2.50%**	1.00% for 1 yr., 2.50% thereafter	1.00% for 2 yrs., 2.50% thereafter

Estimated Employer Paid Benefit Payments

For the year ending March 31, 2013 estimated employer paid benefit payments are estimated to be $12.

15. Comparative figures

In some cases, the comparative figures on these financial statements have been reclassified to correspond with the current year's presentation.

16. Government Infrastructure Funding ($000's)

At year end HHB accrued $258 as receivable from the Province of Nova Scotia as funding for capital improvements made to the infrastructure known as the Victoria Road interchange on Highway 111. These upgrades were previously completed in 2009 and recorded in property, plan and equipment. The subsequent funding from the Province of Nova Scotia has been applied as an offset against capital costs incurred.

In early fall of 2009, through the Province of Nova Scotia, HHB applied for and was approved to receive federal Infrastructure Stimulus Funding (ISF) towards the A. Murray MacKay Bridge main towers, replacement of expansion joints and deck panels, and suspended spans resurfacing. The cost of the project, which was completed prior to March 31, 2011, was $7,397 with ISF funding of $3,672. As of March 31, 2011, all progress claims had been submitted to ISF and applied as an offset against capital costs incurred. As at March 31, 2012 $0.00 was outstanding as receivable ($342 – 2011).

In late summer of 2010, through the Province of Nova Scotia, HHB applied for and was approved to receive ISF funding towards the A. Murray MacKay Bridge Dartmouth median barriers. The cost of the project, which was completed prior to March 31, 2011, was $1,872 with ISF funding of $900. As of March 31, 2011, all progress claims had been submitted to ISF and applied as an offset against capital costs incurred. As at March 31, 2012 $0.00 was outstanding as receivable ($158 – 2011).

17. Compensation of key management personnel ($000's)

The key management personnel of HHB are the Chairman, General Manager and Chief Executive Officer, and the Chief Financial Officer. Key management personnel remuneration for the years ended March 31, 2012 and March 31, 2011 is comprised of:

	2012	2011
Short-term benefits:		
Salaries	$ 261	$ 260
Post-employment benefits:		
Defined contribution pension plan expense	19	15
Total remuneration included in operating expenses	$ 280	$ 275

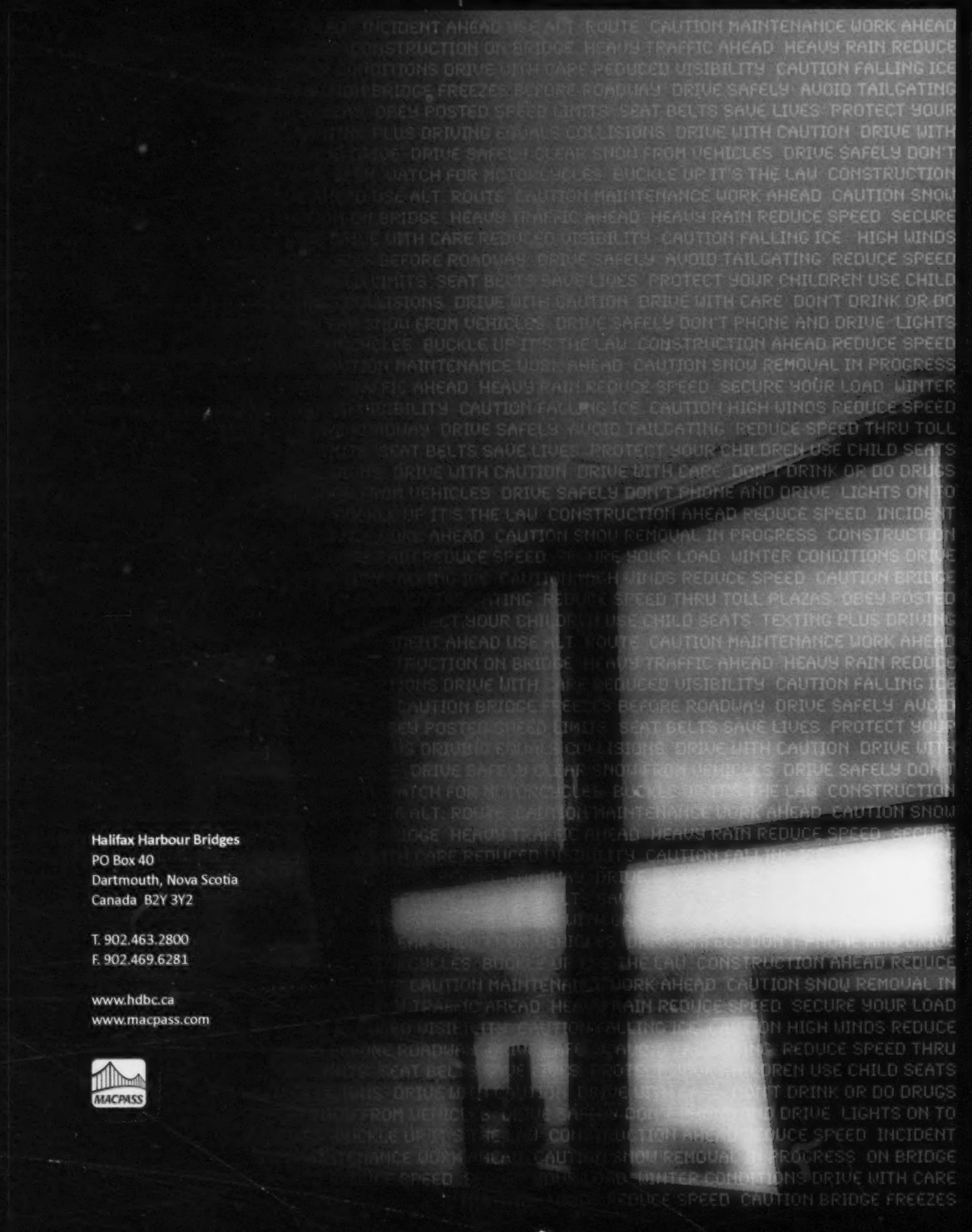
Total compensation for all employees was $3,141 ($3,182 – 2011).

18. Other Income ($000's)

In fiscal 2011 HHB settled an outstanding litigation in the amount of $1,075 and included these amounts in other income.

19. Commitments ($000's)

HHB has entered into contracts for the 2013 fiscal year for the continued maintenance and capital improvement of the bridges in the amount of $3,396.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